

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: irvin@cncf.ci.detroit.mi.us

ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: Stan Topolewski, Director
Public Lighting Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 27, 2010

RE: 2010-2011 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2010-2011 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, April 29, 2010 at 10:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General
Tom Lijana, Finance Director
Pamela Scales, Budget Director
Ron Chenault, Budget Manager
Kamau Marable, Mayor's Office

Public Lighting Department (38)

FY 2010-2011 Budget Analysis by the Fiscal Analysis Division

Summary

The Public Lighting Department (PLD) is a General Fund agency. The Public Lighting Department historically both generates and purchases electrical power, maintains street and alley lights, traffic signals, and the electrical distribution system. The department operates the Herman Kiefer heating plant that supplies heating steam to the Kiefer complex and three Detroit Public Schools. The department assists in the operation and maintenance of the Police and Fire communication system.

The 2010-2011 recommended Net Tax Cost is \$.9 million, a \$4.8 million decrease over the current year.

The capital program, which is financed with G.O. bonds, is recommended at \$-0-.

2009-2010 Surplus/Deficit

The Budget Department has projected that the PLD will end the fiscal year with a deficit of \$3.02 million - \$3.19 M due to revenue shortfalls mitigated by a small appropriation surplus of \$175,000.

Overtime

The department's overtime budget for the current fiscal year is \$2.48 million.

As of March 31, 2010, the department has spent \$1.8 million on overtime.

The recommended 2010-2011 overtime budget is \$2.1 million. The history of overtime spent for the last twelve fiscal years is as follows:

2008-09	\$2.81 million
2007-08	\$3.38 million
2006-07	\$3.45 million
2005-06	\$3.40 million
2004-05	\$3.38 million
2003-04	\$3.76 million
2002-03	\$5.4 million
2001-02	\$5.1 million
2000-01	\$5.75 million
1999-00	\$5.9 million
1998-99	\$4.9 million
1997-98	\$6.2 million

Personnel and Turnover Savings

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2009-10</u>	<u>Filled Positions 03/31/2010</u>	<u>Mayor's Budget Positions FY 2010-11</u>	<u>Over/(Under) Actual to 09/10 Budget</u>
Public Lighting (38):				
380010 General Administration	6	3	4	(3)
380020 Production Control	1	1	0	0
380030 Inspection & Control	2	2	2	0
380040 Claims Office	2	1	1	(1)
380060 Stores & Warehouse	1	1	1	0
380070 Plant Protection	0	0	0	0
00123 General Administration	12	8	8	(4)
380090 Engineering Administration	5	4	4	(1)
380105 Street Lighting Design	3	2	4	(1)
380115 Traffic Signal Design	2	2	0	0
380120 Trans. & Dist. Design	5	2	3	(3)
380130 Substation Design	3	3	3	0
380140 Underground Fac Maps & Rec	3	3	5	0
00127 Engineering	21	16	19	(5)
380150 Supervision	4	2	2	(2)
380160 Construction	24	13	19	(11)
380170 Maintenance	14	15	18	1
380180 Cables	17	14	16	(3)
380190 Conduit	9	10	9	1
380200 Street Lighting Maintenance	12	4	0	(8)
00128 Street Lighting	80	58	64	(22)
380210 Operating Administration	2	2	2	0
380220 System Testing	0	1	0	1
380230 Electrical System Control	8	8	7	0
380250 Electrical Maintenance	9	0	7	(9)
380260 Building Maintenance	0	8	0	8
380270 Traffic Signal Maintenance	0	9	0	9
380275 Plant Protection	0	0	0	0
00129 Operating Division	19	28	16	9
380280 Heat & Power Administration	6	4	5	(2)
380290 Testing & Instrument Maint.	7	7	7	0
380300 Mechanical Operations	28	27	13	(1)
380310 Mechanical Maintenance	9	7	2	(2)
380320 Power Plant Yard Operation	2	2	2	0
380340 Kiefer Heating Plant	4	4	0	0
00131 Heat and Power Production	56	51	29	(5)
380110 Traffic Signal Design	0	0	0	0
380270 Traffic Signal Maintenance	11	0	0	(11)
12155 Traffic Signals	11	0	0	(11)
38XXXX Leave of Absence	0	6	0	6
38XXXX Worker's Comp.	0	(4)	0	(4)
38XXXX Unmatched Positions	0	1	0	1
TOTAL	<u>199</u>	<u>164</u>	<u>136</u>	<u>(35)</u>

Significant Changes in Funding

	2005-2006 Actuals	2006-2007 Actuals	2007-2008 Actuals	2008-2009 Actuals	2009-2010 Budget.	2010-2011 Proposed	Variance
Salary and Wages	\$13,799,377	\$12,170,009	\$ 13,422,651	\$13,600,318	\$12,065,698	\$ 8,982,562	\$ (3,083,136)
Employee Benefits	\$ 7,857,424	\$ 7,780,070	\$ 8,445,944	\$ 8,293,868	\$8,370,956	\$6,928,084	\$ (1,442,872)
Prof Contr. Svcs.	\$ 142,729	\$ 301,512	\$ 191,584	\$ 174,941	\$ 152,330	\$ 190,852	\$ 38,522
Operating Supplies	\$47,950,725	\$33,513,954	\$ 40,720,760	\$37,349,096	\$32,506,895	\$31,924,799	\$ (582,096)
Operating Services	\$ 7,689,476	\$ 8,175,083	\$ 5,820,918	\$ 10,506,794	\$6,085,143	\$6,127,236	\$ 42,093
Capital Equipment	\$ 6,780,560	\$ 5,543,250	\$ 3,528,034	\$ 3,881,089	\$71,000	\$46,000	\$ (25,000)
Other Expenses	\$ 364,249	\$ 948,796	\$ 1,041,597	\$ 983,148	\$(375,400)	\$-0-	\$ 375,400
Total Approp.	\$84,584,540	\$68,432,644	\$ 73,171,488	\$71,827,195	\$58,876,622	\$54,199,533	\$ (4,677,089)
Revenues	\$57,745,858	\$52,456,887	\$ 70,256,440	\$67,352,956	\$53,092,503	\$53,298,456	\$ 205,953
Net Tax Cost	\$26,838,682	\$15,975,757	\$ 2,915,048	\$ 7,436,298	\$5,784,119	\$901,077	\$ (4,883,042)

Capital Fund

There is no recommended g.o. bond sale for PLD as the administration has determined that it would be too costly to sell bonds in the current fiscal situation. The bonds that were budgeted in Fiscal Years 2008 and 2009 remain unsold. The bonds budgeted in the 2008-2009 for \$7,000,000 were proposed to be used for substation and system improvements on Belle Isle, street lighting improvements specifically on Outer Drive and the Mistersky power plant turbine overhaul.

Public Lighting (38)

Budgeted Professional and	FY 2009-10	FY 2010-11	Increase
<u>Contractual Services by Activity</u>	<u>Budget</u>	<u>Recommended</u>	<u>(Decrease)</u>
Administration	\$ 67,500	\$ 117,500	\$ 50,000
Engineering	-	-	-
Street Lighting	-	-	-
Traffic Signals	-	-	-
Operating Division	84,830	73,352	(11,478)
Heat & Power Production	-	-	-
Capital Improvements	-	-	-
Total	<u>\$ 152,330</u>	<u>\$ 190,852</u>	<u>\$ 38,522</u>

Issues and Questions

1. Why are PLD's costs for purchasing power compared with buying fuel to produce power not showing a net change in cost? Doesn't purchased power cost more? Natural gas purchases are decreasing by \$11.8 million and electricity purchase for resale is increasing by \$11.9 million.
2. Why are the Health Revenues decreasing by \$137,000 when expenses in Health for PLD electricity and steam are increasing by \$500,000?
3. Why are revenues for the Board of Education projected to remain the same as the current year?
4. Revenue 442100 – Electrical increases by \$2.5 million and revenue 442140 – Electrical – Other Government increases by \$3.3 million. Who is responsible for paying these revenues?
5. Why is Civic Center revenue at \$-0-? How is the new authority heating and cooling the facility? If the revenue has been budgeted elsewhere, shouldn't a unique account number be made, like 442241 – Electrical Civic Ctr. Authority, so costs can be clearly tracked and compared to prior years?
6. Why did DPW and DOT revenue increase when DWSD revenue accounts decrease?
7. The narrative for the changes to PLD's budget indicates that the Mistersky generating plant is to be "mothballed" not closed. What sort of situations would be seen as reasons for reopening the plant? What would be the steps needed to reopen the facility and how long would it take? What are the costs of mothballing compared with closing the plant? Is the concept of mothballing part of some agreement with Edison?
8. PLD has had an agreement with Edison that PLD receives a wholesale rate for purchased power because PLD is able to generate power. How has the mothballing proposal affected the negotiations with Edison for a new contract? What are the new rates and how do they compare with the current rates?
9. How long can a power generating facility, such as Mistersky, remain mothballed? What maintenance activities are required during this mothball period? Is there a period of time after which some sort of testing of the generating capacity would be required prior to using the facility for power production? If so, what is the period of time?
10. In 2008-09 there are expenses totaling \$14 million for natural gas for power production. How often has PLD produced power this fiscal year and at what cost? Will PLD be entirely reliant on purchased power after July 1?
11. Please elaborate on the timeline for the mothball plan. Will the staff be removed as of July 1? Will that give the department sufficient time to close things up?

12. Harper Woods has begun discussions about charging a fee to households for residential street lighting to cover some part of the cost. Has there been any study done by the department on this issue? Are you aware of any large cities already charging this fee?